

EXHIBIT 11

June 10, 1999 MDEQ Field Inspection Report

00010
 10
 BOND
 RELEASE
 INSPECTION
 REPORT

MONTANA DEPARTMENT OF ENVIRONMENTAL QUALITY
HARD ROCK PROGRAM
OPERATING PERMIT - FIELD INSPECTION REPORT

FOR TITLE 82, CHAPTER 4, PART 3 *et seq.* MCA

Operator: Kootenai Development Co. Date: June 10, 1999

Operating Permit No.: 00010 Project: Libby vermiculite mine County: Lincoln

Legal Description & Nearest City or Town: section 15 and 22, R29W, 8 miles Northeast of Libby

Inspector(s): Patrick Plantenberg, Warren McCullough Company Representative(s): Mark Owens, Jack Wolter

Mineral(s): vermiculite, riprap Agencies w/Overlapping Jurisdiction: [] USFS [] BLM [] Other _____ [x] None

Purpose of Inspection

Type of Operation

- [] Initial (Pre-permitting)
- [x] Regular Compliance
- [] Amendment # _____ MR # _____
- [] Complaint Received
- [x] Bond Release Request
- [] Other (TOUR, etc) _____

- [x] Open Pit
- [] Underground
- [] Placer
- [] Heap Leach
- [] Vat Leach
- [x] Flotation Mill

Inspection Checklist

Yes No N/A

INITIAL INSPECTION

- [] [] [] Adjacent residents
- [] [] [] Adjacent designated Special Land Uses (Wilderness, ACEC, etc)
- [] [] [] Adjacent surface water
- [] [] [] Site Access Concerns
- [] [] [] Pre-existing historic disturbances
- [] [] [] Site conditions/resources of concern
- [] [] [] Need for additional pre-permitting inspections

GENERAL

- [x] [] [] All mining-related disturbances within permitted & bonded areas
- [] [] [x] Incremental bonding requirements have been submitted
- [x] [] [] Following approved mining plan and permit conditions
- [] [] [x] Following approved monitoring plans
- [x] [] [] Reclamation concurrent with mining

OPERATING PERMIT - FIELD INSPECTION REPORT - continued

Operator: Kootenai Development Co. _____ Date: June 10, 1999 _____

Operating Permit No.: 00010 Project: Libby vermiculite mine County: Lincoln _____

Yes No N/A

MATERIALS HANDLING

- [] [] Soil salvage according to plan
- [] [x] Soil stockpiles properly maintained
- [] [x] Special handling/stockpiling of materials consistent with plan
- [x] [x] [] Evidence of uncontained acid rock drainage

WATER CONTROLS

- [] [] Erosion-control measures concurrent with mining, BMPs in place
- [] [x] [] Erosion/sedimentation problems
- [x] [] [] Culverts installed and maintained as approved
- [] [x] [] Water discharge(s) occurring
- [] [x] [x] Diversions maintained and functioning as approved
- [] [] [x] Process/storage/settling pond(s) constructed, operating, and maintained as approved
- [] [] [x] Adequate freeboard in all solution storage & process facilities

AIR QUALITY

- [] [x] [x] Air quality control measures operational (including roads)
- [] [x] [] Air quality problems evident

FACILITIES

- [] [x] Construction reports properly filed
- [] [x] Liner integrity problems observed
- [x] [] Tailing impoundment/heap leach/dump design as approved
- [x] [] Road construction as approved
- [] [x] Contingency plans operational
- [] [x] [] Public health & safety problems

OTHER

- [x] [] [x] Noxious weeds present
- [] [x] [x] Wildlife mitigations in place and functioning
- [] [x] [] Wildlife problems observed
- [] [x] [x] Cultural resource mitigations properly implemented

- [] [x] [] Water sample(s) taken
- [] [x] [] Materials sample(s) taken
- [x] [] [] Photos taken
- [] [x] [] Compliance problems observed
- [] [] [] Other: _____

OPERATING PERMIT - FIELD INSPECTION REPORT - continuedOperator: Kootenai Development Co. Date: June 10, 1999Operating Permit No.: 00010 Project: Libby vermiculite mine County: Lincoln**DISCUSSION (Include the status of ongoing activities and compliance. If the site visit was a tour, include purpose of tour, participants and related post-tour activities that would result.):**

The purpose of the inspection was twofold: to introduce Warren to the site and to review the potential for final bond release.

We discussed noxious weeds and Mark would like information on tansy ragwort and orange and yellow hawkweed. I suggest he order: The Weed Handbook, Series 1-55 from the Wyoming Weed and Pest Council, Box 728, Douglas, WY 82633 (307) 358-2775. KDC was spraying weeds on the site during the inspection.

We started at the Carney Creek sediment control pond. This area is out of the permit boundary. The pond receives sediment from any minor slumps that might occur in the old Carney Creek dump. Sediment does not report to Rainy Creek. The pond has lots of excess capacity and provides assurance that sediment will not get to Rainy Creek. KDC is aware that they have to maintain the pond as a BMP to prevent sediment from reaching Rainy Creek.

Next we toured the impoundment site which is also out of the permit boundary. The Dam Safety Program (DSP) in DNRC has just inspected the facility and gave it their approval. The impoundment wetland vegetation continues to expand each year (see Photo 1). The DSP told KDC to cut down the largest of the trees on the embankment slope. The impoundment receives extensive use from waterfowl, frogs, moose, etc. KDC just completed water quality analysis of the toe drains from the impoundment. Water quality continues to improve and all standards are being met.

The impoundment receives any sediment that washes off the coarse tailings area that is currently in the permit boundary (see Photo 2). No sediment reports to Rainy Creek out of the impoundment area. The coarse tailings area continues to stabilize more and more every year. Fertilization of the tailings would help improve the growth of the vegetation but KDC and DEQ have been reluctant to recommend and implement this practice because of the well drained nature of the coarse tailings and the potential for nitrates to reach Rainy Creek. This has slowed the development of the vegetation on the slopes. Erosion will continue until a stable equilibrium is reached. KDC continues to maintain diversions across the slope to limit erosion and continues to regrade and patch rills and gullies as needed each year. There are no offsite impacts from the annual erosion from the coarse tailings area. The impoundment has plenty of excess capacity to hold any eroding materials from the coarse tailings area over time.

Planted trees continue to grow in the coarse tailings area (see Photo 3). Progress will continue slowly as soil develops and organic matter accumulates.. The erosion is limited. The sediment is contained in the impoundment. The water quality is above standards from the impoundment area. The DSP has approved KDC's maintenance and operations plan for the impoundment. Erosion will continue for an unknown number of years, but there is no offsite impacts. The coarse tailings area is ready for bond release.

Next we toured the old mill site and the landfarm. Then we went to the landslide and garbage dump area that KDC has cleaned up. The landslide has dried out and appears to have stabilized, and the vegetation continues to improve on the clean up area. As vegetation continues to develop the landslide will continue to dry out and stabilize. Any minor slumping over the years will not produce off site impacts. The landslide and garbage dump area is ready for full bond release.

Next we inspected the Glory Hole area and syenite rip rap borrow areas. These areas have been reclaimed and the vegetation is well established. They are ready for full bond release (see Photo 4).

Next we toured the oldest areas released from bond on the site (see Photos 4, 5, and 6). Mine knob #2 was released from bond in 1988. It was planted in 1983. The trees continue to grow and vegetation is expanding (see Photo 6). Pit highwalls continue to ravel and produce more natural looking slopes. Knapweed populations have stabilized at levels equal to or less than surrounding unmined areas that have not been treated by the FS. These observations support full bond release on the site. The survey knob (knob #3)was partially released from bond in 1988 and got full bond release in 1994. It also continues to improve over time (see Photo 7).

Finally we toured the base of the Carney Creek dump (see Photo 8). The Carney Creek dump has stabilized since mine traffic has stopped on the upper roads. Vegetation continues to improve. The creek channel has reestablished itself in its new location since the last slump. Natural landslides occur on the slopes in the area indicating the unstable nature of the vermiculite materials.

We will proceed with the full bond release process on the site.

Follow-up Activities Needed: none

Deadline for Follow-up Action: none

Compliance Action Taken/NON No.: none

Abatement Inspection Needed on: none

Exit Interview Conducted With: Mark Owens, Jack Wolter

Authorized
Signature: Pat Z. Reilly Date: 8/24/99

Copy inspection Reports To: Permittee, field file, file

PHOTO

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VIEW OF IMPOUNDMENT OUTLET STREAM CHANNEL.
WETLANDS CONTINUE TO EXPAND ON IMPOUNDMENT SURFACE.
DAM SAFETY BUREAU HAS JUST GIVEN BLESSING ON KOC'S
IMPOUNDMENT PLANS & MAINTENANCE.

PHOTO #2



View of coarse talus area. AREA CONTINUES TO
STABILIZE MORE & MORE EVERY YEAR. SEDIMENT
REPORTS TO IMPOUNDMENT & DOES NOT GET TO RAINY CREEK.
EROSION WILL CONTINUE UNTIL A STABLE EQUILIBRIUM
IS REACHED. KOC CONTINUES TO MAINTAIN DIVERSIONS
ACROSS THE SLOPE.

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PHOTO
3



COARSE TAILINGS AREA from above. PLANTED TREES CONTINUE TO GROW. GROWTH IS SLOW CAUSE OF INHERENT INFERTILITY OF MATERIALS. FERTILIZER USE WOULD HELP BUT COULD COMPLICATE WATER QUALITY PROBLEMS CAUSE OF EXCESSIVE DRAINAGE. PROGRESS WILL CONTINUE SLOWLY AS SOIL DEVELOPS + ORGANIC MATTER ACCUMULATES.

PHOTO #4



GLARY HOLE AREA ; AREA HAS BEEN RECONSTRUCTED, + SLOPED. SYENITE BARRAN AREA RECLAIMED AS WELL.



PHOTO #5

VIEW FROM KNOB SURVEY POINT OF RECLAMED MINE +
WASTE ROCK DUMP RECLAMATION FROM PERMIT AREA. RECLAMATION
CONTINUES TO IMPROVE SLOWLY. TREES IN FOREGROUND
CONTINUE TO GROW.

PHOTO #6



SURVEY KNOB: TREES HAVE GROWN SUBSTANTIALLY SINCE
BOND RELEASE.



PHOTO
#7

VIEW OF OTHER KNOB FROM SURVEY KNOB, MINE HIGHLANDS
CONTINUE TO RAVEL + STABILIZE AT ANGLE OF REPOSE. TREES
IN FOREGROUND HAVE GROWN SUBSTANTIALLY SINCE BOND RELEASE.

CARNEY CREEK POND
CREATED BY LANDSLIDES
OFF CARNEY CREEK DUMP.
CHANNEL HAS STABILIZED
DUMP SHOWS NO SIGN OF
NEW MOVEMENT. AS MORE
VEGETATION DEVELOPS
STABILITY WILL CONTINUE
TO INCREASE.



PHOTO #8